

Report on Countries that are Candidates for Millennium Challenge Compact Eligibility for Fiscal Year 2019 and Countries that would be Candidates but for Legal Prohibitions

September 5, 2018



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Summary

This report to Congress is provided in accordance with section 608(a) of the Millennium Challenge Act of 2003, as amended, 22 U.S.C. §§7701, 7707(a) (the Act).

The Act authorizes the provision of assistance for global development through the Millennium Challenge Corporation (MCC) for countries that enter into a Millennium Challenge Compact with the United States to support policies and programs that advance the progress of such countries to achieve lasting economic growth and poverty reduction. The Act requires MCC to take a number of steps in selecting countries with which MCC will seek to enter into a compact, including determining the countries that will be eligible countries for fiscal year (FY) 2019 based on (a) a country's demonstrated commitment to (i) just and democratic governance, (ii) economic freedom, and (iii) investments in its people; and (b) the opportunity to reduce poverty and generate economic growth in the country, and (c) the availability of funds to MCC. These steps include the submission to the congressional committees specified in the Act and publication in the *Federal Register* of reports on the following:

- The countries that are “candidate countries” for FY 2019 based on their per capita income levels and their eligibility to receive assistance under U.S. law and countries that would be candidate countries but for specified legal prohibitions on assistance (section 608(a) of the Act);
- The criteria and methodology that the MCC Board of Directors (Board) will use to measure and evaluate the relative policy performance of the “candidate countries” consistent with the requirements of subsections (a) and (b) of section 607 of the Act in order to determine “eligible countries” from among the “candidate countries” (section 608(b) of the Act); and
- The list of countries determined by the Board to be “eligible countries” for FY 2019, identification of such countries with which the Board will seek to enter into compacts, and a justification for such eligibility determination and selection for compact negotiation (section 608(d) of the Act).

This report is the first of three required reports listed above.

Candidate Countries for FY 2019

The Act requires the identification of all countries that are candidate countries for FY 2019 and the identification of all countries that would be candidate countries but for specified legal prohibitions on assistance. Under sections 606(a) and (b) of the Act, candidate countries must qualify as low income or lower middle income countries as defined in the Act.

Specifically, a country will be a candidate country in the low income category for FY 2019 if it

- has a per capita income that is not greater than the World Bank's lower middle income country threshold for such fiscal year (\$3,895 gross national income per capita for FY 2019);
- is among the 75 countries identified by the World Bank as having the lowest per capita income; and

- is not ineligible to receive United States economic assistance under part I of the Foreign Assistance Act of 1961, as amended (the Foreign Assistance Act), by reason of the application of the Foreign Assistance Act or any other provision of law.

A country will be a candidate country in the lower middle income category for FY 2019 if it

- has a per capita income that is not greater than the World Bank's lower middle income country threshold for such fiscal year (\$3,895 gross national income per capita for FY 2019);
- is not among the 75 countries identified by the World Bank as having the lowest per capita income; and
- is not ineligible to receive United States economic assistance under part I of the Foreign Assistance Act by reason of the application of the Foreign Assistance Act or any other provision of law.

Under section 606(c) of the Act as applied for FY 2019, a country with per capita income changes from FY 2018 to FY 2019 such that the country would be reclassified from the low income category to the lower middle income category or vice versa will retain its income status in its former category for FY 2019 and two subsequent fiscal years (FY 2020 and FY 2021). A country that has transitioned to the upper middle income category does not qualify as a candidate country.

Pursuant to section 606(d) of the Act, the Board identified the following countries as candidate countries under the Act for FY 2019. In so doing, the Board referred to the prohibitions on assistance to countries for FY 2018 under the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2018.

Candidate Countries: Low Income Category

1. Afghanistan
2. Angola
3. Bangladesh
4. Benin
5. Bhutan
6. Burkina Faso
7. Burundi
8. Cabo Verde
9. Cameroon
10. Central African Republic
11. Chad
12. Comoros
13. Congo, Democratic Republic of the
14. Congo, Republic of the
15. Côte d'Ivoire
16. Djibouti
17. Egypt
18. Eswatini (formerly Swaziland)
19. Ethiopia

20. Gambia, The
21. Ghana
22. Guinea
23. Guinea-Bissau
24. Haiti
25. Honduras
26. India
27. Indonesia
28. Kenya
29. Kiribati
30. Kyrgyzstan
31. Laos
32. Lesotho
33. Liberia
34. Madagascar
35. Malawi
36. Mali
37. Mauritania
38. Micronesia, Federated States of
39. Moldova
40. Morocco
41. Mozambique
42. Nepal
43. Niger
44. Nigeria
45. Pakistan
46. Papua New Guinea
47. Philippines
48. Rwanda
49. São Tomé and Príncipe
50. Senegal
51. Sierra Leone
52. Solomon Islands
53. Somalia
54. Sri Lanka
55. Tajikistan
56. Tanzania
57. Timor-Leste
58. Togo
59. Uganda
60. Ukraine
61. Uzbekistan
62. Vanuatu
63. Vietnam
64. Yemen
65. Zambia

Candidate Countries: Lower Middle Income Category

1. El Salvador
2. Georgia
3. Kosovo
4. Mongolia
5. Tunisia

Countries that Would Be Candidate Countries but for Legal Provisions that Prohibit Assistance

Countries that would be considered candidate countries for FY 2019 but are ineligible to receive United States economic assistance under part I of the Foreign Assistance Act by reason of the application of any provision of the Foreign Assistance Act or any other provision of law are listed below. This list is based on legal prohibitions against economic assistance that apply as of July 26, 2018.

Prohibited Countries: Low Income Category

- **Bolivia** is ineligible to receive foreign assistance pursuant to section 706(3) of the Foreign Relations Authorization Act, Fiscal Year 2003 (P.L. 107-228), regarding adherence to obligations under international counternarcotics agreements and other counternarcotics measures.
- **Burma** is ineligible to receive U.S. economic assistance, absent special authority, because of concerns relative to its record on human rights.
- **Cambodia** is ineligible to receive foreign assistance pursuant to section 7043(b)(1) of the FY 2018 Appropriations Act, which restricts assistance to the Government of Cambodia unless the Secretary of State certifies that the Government of Cambodia is taking effective steps to strengthen regional security and stability and respect the rights and responsibilities enshrined in the Constitution of the Kingdom of Cambodia.
- **Eritrea** is ineligible to receive foreign assistance, including due to its status as a Tier III country under the Trafficking Victims Protection Act of 2000 (22 U.S.C. 7101 et seq.).
- **The central Government of Nicaragua** is ineligible to receive foreign assistance pursuant to section 7070(c) of the FY 2018 Appropriations Act, which prohibits assistance for the central government of a country that the Secretary of State determines has recognized the independence of, or has established diplomatic relations with, the Russian occupied Georgian territories of Abkhazia and Tskhinvali Region/South Ossetia.
- **North Korea** is ineligible to receive foreign assistance, including pursuant to section 7007 of the FY 2018 Appropriations Act, which prohibits direct assistance to the government of North Korea.
- **South Sudan** is ineligible to receive foreign assistance, including pursuant to section 7042(h)(2) of the FY 2018 Appropriations Act, which prohibits, with limited exceptions, assistance to the central government of South Sudan until the Secretary of State certifies and reports to Congress that such government is taking effective steps to end hostilities and pursue good faith negotiations for a political settlement of the conflict; provide access for humanitarian organizations; end the recruitment and use of child soldiers; protect freedoms of expression, association, and assembly; reduce corruption related to the extraction and sale of oil and gas; establish democratic institutions; establish accountable military and police forces under civilian authority; and

investigate and prosecute individuals credibly alleged to have committed gross violations of human rights, including at the Terrain compound in Juba, South Sudan on July 11, 2016.

- **Sudan** is ineligible to receive foreign assistance, including pursuant to section 7042(i) of the FY 2018 Appropriations Act, which prohibits (with limited exceptions) assistance to the government of Sudan.
- **Syria** is ineligible to receive foreign assistance, including pursuant to section 7007 of the FY 2018 Appropriations Act, which prohibits direct assistance to the government of Syria.
- **Zimbabwe** is ineligible to receive foreign assistance, including pursuant to section 7042(j)(2) of the FY 2018 Appropriations Act, which prohibits (with limited exceptions) assistance for the central government of Zimbabwe unless the Secretary of State certifies and reports to Congress that the rule of law has been restored, including respect for ownership and title to property, and freedoms of expression, association, and assembly.

Countries identified above as candidate countries, as well as countries that would be considered candidate countries but for the applicability of legal provisions that prohibit U.S. economic assistance, may be the subject of future statutory restrictions or determinations, or changed country circumstances, that affect their legal eligibility for assistance under part I of the Foreign Assistance Act by reason of application of the Foreign Assistance Act or any other provision of law for FY 2019.